your money

SPECIAL 20-PAGE SECTION

Irish Independent
Thursday, January 13, 2011

Personal Finance Editor Charlie Weston

www.independent.ie

Help!

We show you how to get your family finances on track

PHOTO BY TOM BURKE

INSIDE

How to get healthcare costs down

Ways to get rid of credit card debt

Energy savings in home

Cutting home and motor insurance

Coping with healthcare cost rises

Debt advice

How to get a tax refund

In association with

Irish Life

Protecting what matters most to you

The need to protect what matters most is clear from a young age. While it begins with our toys, before we know it, our careers, income and our families are the things we really want to protect. That's where Irish Life can help. Since 1939, we've protected generations of Irish families.

Irish Life

In fact more than half a million people now rely on our life assurance and income protection plans for their financial security. For solid advice on protecting your family's security, talk to your local Financial Adviser, call us on 1850 356 200 or see www.irishlife.ie.

Irish Life Assurance plc is regulated by the Central Bank of Ireland. In the interest of customer service we will record and monitor calls.

This year is set to be the toughest one yet on the family finance front. But this publication will attempt to help you and your family make the best of what is left of the household budget. We trust you will get value from this 20-page financial survival guide for 2011. **Charlie Weston** PERSONAL FINANCE EDITOR

CONTENTS

FAMILIES EXPECT TWO MORE YEARS OF FINANCIAL PAIN **3**

HOW TO GET RID OF YOUR CREDIT CARD DEBT **4-5**

INCOME PROTECTION FOR FAMILIES **6-7**

PENSIONS ARE STILL WORTH INVESTING IN **8**

SAVE A FORTUNE ON INSURANCE **10-11**

GET A TAX REFUND, AND YOUR OWN AUSTERITY PLAN **12-13**

HEALTH INSURANCE SAVINGS, BECOME A SUPER SAVER **14-15**

ENERGY SAVING IN THE HOME **16-17**

WHAT TO DO IF REDUNDANCY LOOMS **18-19**

PUBLISHED BY INDEPENDENT NEWSPAPERS (IRELAND) LIMITED, IN ASSOCIATION WITH IRISH LIFE.

INDEPENDENT NEWSPAPERS (IRELAND), 27-31 TALBOT STREET, DUBLIN 1.

PRINTED AT CITYWEST, NAAS ROAD, CO DUBLIN. TELEPHONE: 01-705 5333.

EDITED BY CHARLIE WESTON.

EMAIL: CWESTON@INDEPENDENT.IE

PRODUCTION: REAL-TIME EDITING AND DESIGN.

We're preparing for a tough two years ahead

MOST people expect that it will take another two years before the worst is over financially for themselves and their families, an exclusive new survey shows.

Such has been the scale of the hit to family finances that most adults anticipate it will be 2013 or 2014 before their personal financial situation improves.

And 98pc of people surveyed by iReach on behalf of Irish Life and the *Irish Independent* expect to face financial challenges this year.

Yet despite more doom and gloom ahead of us, only four out of 10 adults have set a financial plan for the next year.

Financial advisers recommend that people sit down and draw up a budget, setting down all their income and outgoings and see where, if any, money is being wasted.

Men tend to be more organised than women when it comes to budgeting.

Almost three-quarters of the 1,000 people surveyed said they were concerned that they would not be able to cope financially over the next year.

Perhaps surprisingly, a quarter of those surveyed felt confident about their financial situation over the next 12 months.

The fact that three-quarters of adults are concerned about their finances is a huge jump on the 2010 figure, when just over half of adults expressed concern over their financial wellbeing.

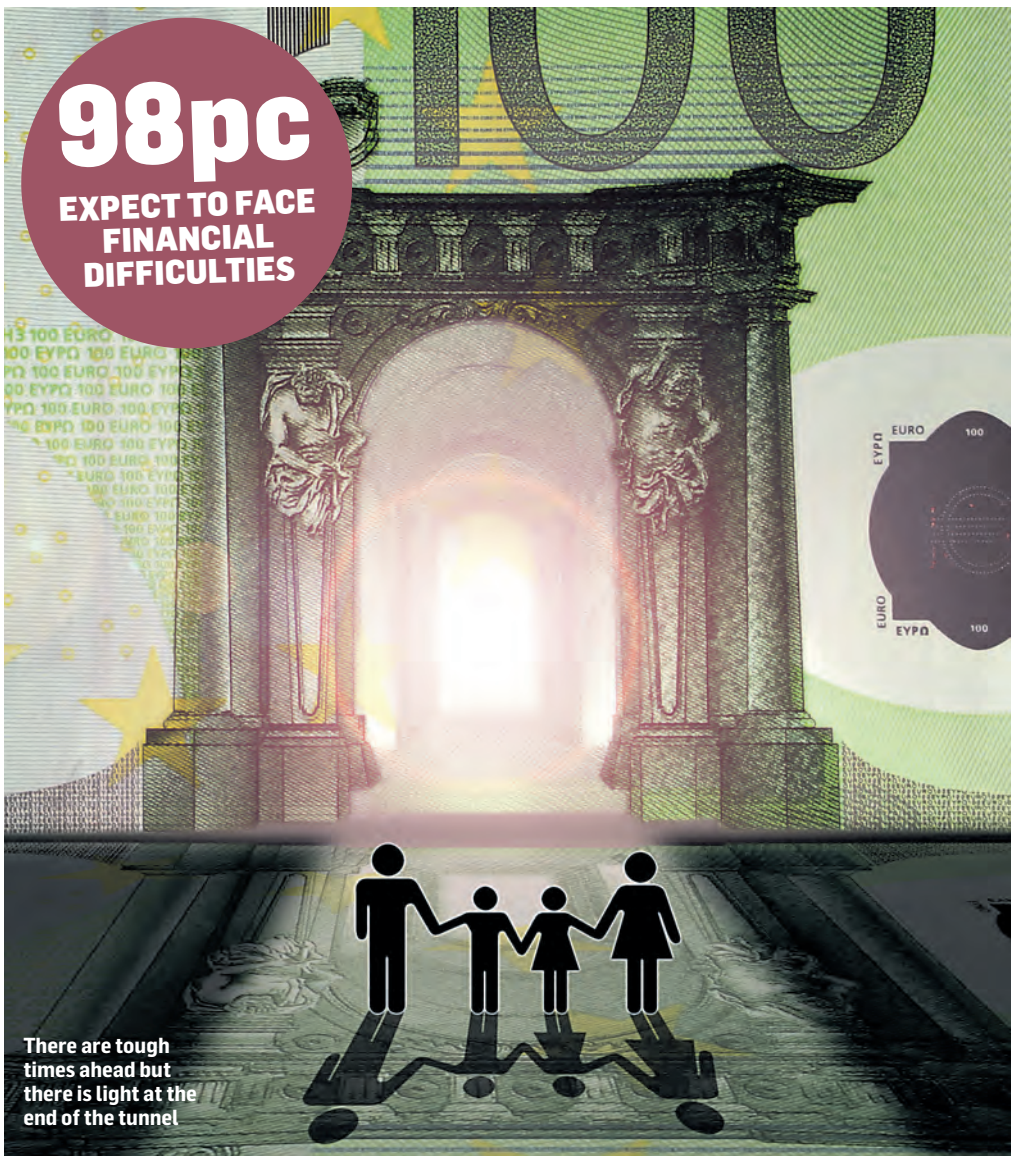
Women tend to be more fearful than men, while parents are more worried than those who do not have children.

Concerns over personal finances for 2011 were most pronounced in Munster and least evident in Dublin.

A quarter of all adults are fearful of not being able to meet unexpected expenditures due to lack of savings.

This particular concern is more evident among women, the middle-aged and mature adults and across Connacht.

However, on a positive note, it appears that fear over losing a job has eased off somewhat compared with last year.



There are tough times ahead but there is light at the end of the tunnel

These concerns over redundancy are slightly more pronounced among women and young adults.

Many consumers are resorting to borrowing to make ends meet. The iReach research found that one third of adults were forced to borrow money to cover household expenses.

Borrowing from parents is the most common form that this takes.

A quarter of all adults have borrowed from their parents. When it comes to young adults borrowing from parents, the percentage jumps to 41pc.

Small numbers of people also borrow from friends in order to keep their household finances on an even keel.

Borrowing from moneylenders is less common – yet as many as 9pc of young adults have used their services.

It what it likely to be an unsurprising finding, almost six out of 10 adults would consider emigrating.

This breaks down to 14pc who seriously consider moving abroad and 44pc who would consider it under a different set of circumstances.

Young adults are most likely to emigrate, with a quarter of them seriously considering heading abroad for better prospects.

Irish Independent
Thursday 13 January 2011

Time to purge after the Christmas splurge

If you've paid for the festive season with plastic, it's advisable to tackle the bill immediately and avoid massive interest

Charlie Weston

HAVE you paid for Christmas with a plastic card and now find you have a bulging bill to pay?

Well, you are not alone.

More than half the population will have borrowed to fund the festive season, a recent survey found.

And it will take most until the summer to pay off the loans taken out to finance the Christmas splurge, with some people expecting to take up to nine months to settle their debts.

Almost one-third of adults used their credit cards to pay for presents, food and drink, with others resorting to money lenders, despite interest rates as high as 180pc.

The debts are expected even though households across the country have pared back spending as the economic downturn continues to bite. But it is not just at Christmas.

Over the past few years, most of us have been on a debt binge with our credit cards, to such an extent that we owe a staggering €2.9bn.

The amount owed has changed very little in the past year, even though people have been attempting to pay off their credit card bills.

High interest rates and penalty charges are making it difficult for card holders to get the overall amount owed down, although there are signs lately that consumers are beginning to get to grips with their mountain of credit card debt.

If you have racked up enormous debt on your credit card, now might be the time to tackle it. The best advice is to always pay off as much as you can afford.

You would be wise not to miss any repayments and stop using your card again until the balance is paid.

It is worth remembering that just by making minimum payments it would take an incredible 20 years to clear your credit-card bill.

Here are six ways, some of them unconventional, to clear credit card debt:

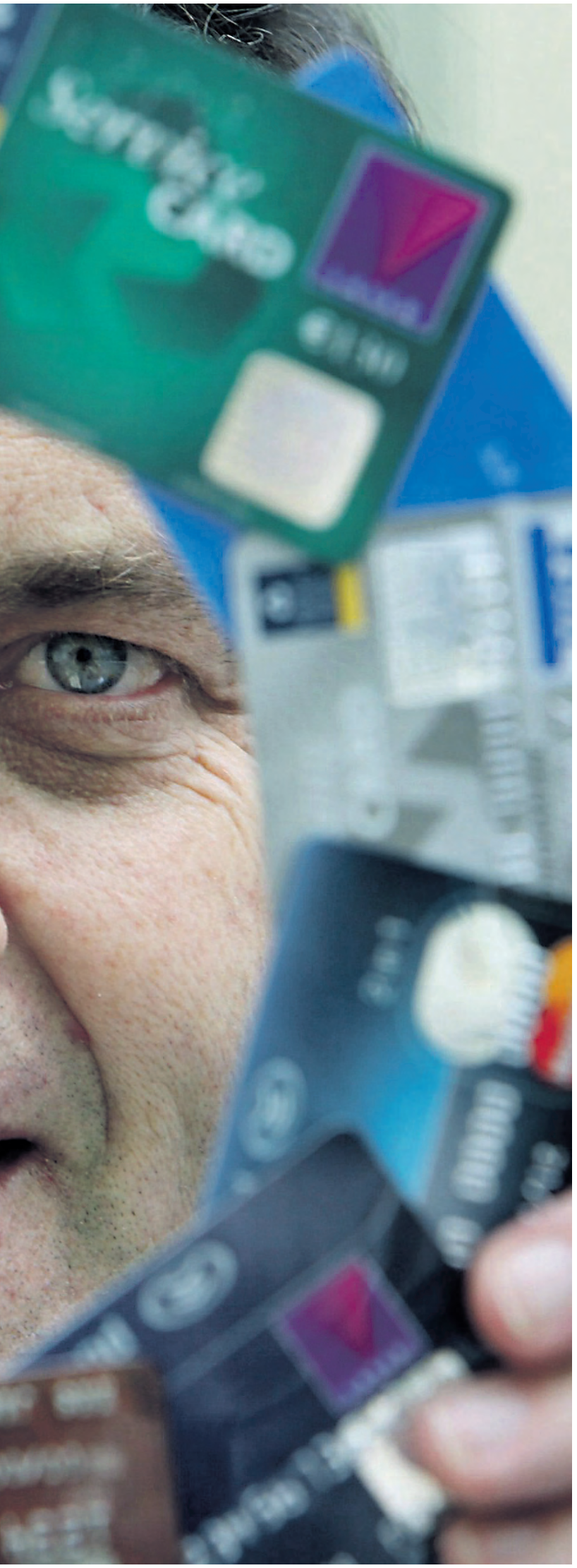
GET A LOAN FROM FAMILY OR FRIENDS

This option is fraught with danger, the obvious pitfall being that any dispute about repayments could lead to a severing of relations. Also, the person being asked to help out may feel awkward about the situation.

However, if you can get over the embarrassment of asking for help, the big advantage is that loans from a family member or a friend are often interest free.

To ensure that neither the borrower or the lender (in this case your relative or friend) is compromised in any way, it might be a good idea to first agree the loan amount, the amount of interest, if any, and the repayment schedule, making particular reference to when the debt will be paid off.

Minister for Finance Brian Lenihan surrounded by credit cards. Mr Lenihan's Budget will make it more expensive for families. Picture Jason Clarke.



Try the prepaid credit option

HOUSEHOLDS in financial difficulties have been found to be three times more likely to be only paying the minimum (which can be as low as 1pc with MBNA) on their card each month, according to the Law Reform Commission.

It will take 20 years to clear a €8,000 debt if you pay just 2.5pc of the outstanding balance every month.

In that time, you will have paid €6,000 in interest alone.

GET A DISPOSABLE CARD

If you need to make online purchases then get a prepaid or disposable credit card. You do not need to have your credit history checked to get one of these.

Get a 3v disposable card. You register online then take the card to a retailer, hand over the cash and the card is loaded up. You get a 16-digit visa number. It is free to load up to €20 on the card, then €2.5 for between €30 and €100, and €5 for between €110 and €350. Some 300,000 people have registered for 3v cards.

Or, get a prepaid Mastercard from www.neteller.com. The physical version of this card can be used to book Ryanair flights without incurring the €5 "administration charge" per flight.

You need to register online, then send off a colour photocopy of your passport and a utility bill.

Once registered and "authenticated" you can then load the card online from your bank account.

There is no charge for this. If you load the card from a credit or debit card, there is a 1.75pc charge per transaction.

It is then important to have this in writing and signed by both sides. If you are borrowing a large amount of money, it is only fair to agree to repay the amount and some interest.

There will be less chance of any resentment if some interest is paid.

Another way of showing your good faith is to offer some collateral. For example, you could hand over a valuable watch until the loan is repaid as a way of showing that this is a fair and formal deal.

It is also important to stick to the terms of the deal. If you, the borrower, have any difficulties meeting the repayments, approach your relative or friend and be upfront with them. Otherwise, it will not just be a loan deal that goes sour.

GET A CREDIT UNION LOAN

One good way to pummel your plastic debt is to join a credit union and sign up for one of their credit card, debt-busting deals.

Some credit unions offer credit card elimination or repayment initiatives, according to Kevin Johnson, chief executive of the Credit Union Development Association (CUDA), a representative body for some of the larger credit unions in the State.

These aim to reduce and eventually clear credit card debt through a series of personal loan payments.

However, to avail of this unique facility, the consumers must agree to halt any activity on their credit card.

Mr Johnson points out that use of a credit card is habitual and the credit unions offering this service have found that if people can break the spending splurge habit, they are less likely to run up huge credit card debts again in the future.

The schemes generally work as follows: the member agrees to stop using their credit card and applies for a sufficiently large loan to clear off the credit card in full.

That loan is drawn down in three equal instalments over four months, with the first issued as a cheque paid to the credit card company.

The member then pays the interest on the credit card for the next two months, and presents the two credit card statements to the credit union showing that they haven't used it in the meantime.

A further cheque for the second payment is then made out to the credit card company.

The exercise is repeated for the next two months at the end of which the final cheque is issued to the credit card company which will clear the remaining balance.

Members are also strongly encouraged to have their names removed from the credit card providers' marketing listing, to avoid further temptation in the future, Mr Johnson said.

"While the system isn't foolproof, it does acknowledge the habitual nature of our spending and effectively treats it as an addiction that needs to be broken," the CUDA boss added.

KEY POINTS

- Even if you are repaying the minimum do not miss any credit card payments
- Try to get the interest and charges frozen if you are in arrears
- Try to live without your credit card if the bills are a problem

GET A BANK LOAN

If you are heavily indebted, it is possible to have the interest and penalty charges frozen on your card.

Credit card companies don't admit this, but if you are heavily in arrears they will agree to freeze the interest and penalties.

Once you get the credit card company to stop applying the interest and penalty charges, try and get a personal loan from your bank or credit union to pay off the card debt. Rates average around 11pc from the banks, with credits unions loans anywhere from 7pc to 12pc, depending on the credit union.

You might also be wise to cut up the card.

Check out itsyourmoney.ie for a list of interest rates charged by banks for loans in the Cost Comparison section.

GET A MORTGAGE REPAYMENT HOLIDAY

Another option is to get a mortgage repayment holiday and use the cash that is freed up to clear the credit card debt.

This option is recommended by some commercial debt advisers, but it comes with a massive health warning as your accommodation should be your number one priority and you do not want to do anything to threaten the viability of your mortgage.

We mention it as we know many people are doing this.

However, it has been revealed that some cash-strapped consumers are paying off credit card and other debts but not their mortgage, in the mistaken belief that they will not lose their home.

These people are convinced that they are entitled to a payment holiday on their mortgage.

There was also a tendency to repay credit card debt quicker than a mortgage because card providers tend to be more aggressive at chasing payments.

Many consumers mistakenly believe that the provisions of the statutory code of conduct on mortgage arrears mean they will not lose their home.

So, if you do opt to stop paying your mortgage for a while to clear credit card, or other unsecured debt, make sure it is with the agreement of your mortgage lender.

Often banks where you have both your mortgage and credit card accounts will allow this option. But tread carefully.

SELL YOUR SECOND CAR

If you are lucky enough to have a second car or a buy-to-let property or a holiday home then it might be wise to sell these items if you are heavily in debt. We are assuming here that you do not need the second car for work.

Selling off any spare goods when you are in debt is a course of action recommended by TV money guru Eddie Hobbs.

Granted, you will be selling at distressed prices but if you are really serious about eliminating your card debt you will dispose of everything you do not need for day-to-day living.

USE YOUR SAVINGS TO CLEAR DEBTS

It is amazing the number of people who have debts and savings at the same time.

Most people are saving furiously at the moment. Around €12 in every €100 earned by consumers is being saved or used to pay down debt.

However, it makes little sense to have €10,000 sitting in a bank account earning at most 3.5pc if you are struggling with credit card debt where the interest rate is 21pc.

Get an immediate return of 21pc by paying off your card debt with your savings.

Irish Independent
Thursday 13 January 2011

CASE STUDY

We're happy to pay for our family's provision in these times

LIKE most families the new year has brought financial bombshells for the Buckleys. The Bray, Co Wicklow, family has been left reeling from the cut in child benefit and they have private health insurance with VHI.

The family are all insured on Plan B Option which means they are facing a hike in their premium of €1,116 when it comes up for renewal.

"We are currently with the VHI but we won't be for much longer," mother Aisling Buckley commented.

She and husband Adrian have three children – Aoife (16), Peter (14) and Niamh (10).

The fact that the couple have three children means they are down €40 a month on their child benefit payments.

Adrian is an architect in Buckley Partnership, while Aisling works part-time in the practice doing the accounts.

Business in the practice has been tough over the last two years. This has meant staff reductions and a shift in focus from work on hotels and office buildings to home renovations.

"We have lost a lot of business in the last while and have had to let people go. But there are three people now in the practice and we are still managing to pay the bills," Aisling explained.

Given the tough environment for architecture practices and the fact that the Buckleys have three children, they see it as important to have financial protections in place.

The family has life cover with Irish Life. They will provide funds if anything was to happen to Adrian or Aisling, she pointed out. And given the difficult employment situation the family see it as vitally important to have income protection. This will provide an income if, for example, Adrian gets ill and can't work.

Looking to the future, the Buckleys have a pension with Irish Life to provide an income when retirement comes.

"Irish Life have been very good. We have taken out life cover, income protection and a pension with them through my financial adviser, Niall O'Connor," Aisling said.

As the financial blows continue to hit the family, they at least have the security of knowing that they have income protection and a pension scheme in place.

'IRISH LIFE HAVE BEEN VERY GOOD. WE'VE TAKEN OUT LIFE COVER, INCOME PROTECTION AND A PENSION WITH THEM.'

PROTECTING YOUR FUTURE

Life insurance is not a luxury – it's a need

Charlie Weston

AS HOUSEHOLDS around the country continue to try to save money, the idea of buying another insurance policy might not appear to make much sense.

However, a policy such as life cover is not a luxury item. It is a fundamental need.

This is because families with children and/or a non-earning spouse have to make sure their loved ones are financially secure should something happen to the main breadwinner.

In a recent European survey just 11pc of respondents said they "would be well positioned financially" if they die, or suffer a long-term illness or disability.

Research conducted in this country by iReach for Irish Life has found that 58pc of parents say they would struggle financially in the event of a death or illness in the family.

This is why many people worry about how their dependants' lifestyle will be maintained if they die or fall ill.

People tend to shy away from the topic as they feel it is morbid, or they don't want to think about it.

In the "under 40" age category – those who generally have young families – people often say they are too young to take out life cover and so dispense with the need for protection plans, according to Irish Life senior manager, protection, Declan O'Neill. However, statistics show that around half of the deaths in this age category are unexpected deaths, road traffic accidents or accidental deaths.

THE PROTECTION GAP

But even those who already have life cover may not have enough cover. These people need to be aware of the protection gap, according to Mr O'Neill.

This is the gap between what a dependant family needs to maintain their living standards into the future if something happens to the main provider, and the amount of money set aside to meet this need through protection cover, savings and state support.

Life cover sales for 2010 were up by 30pc compared with 2009, showing that more people are recognising the need to protect their families in the event of death. But many consumers do not realise how much cover they should be taking out to fully meet this need.

The average life cover claim Irish Life paid in 2010 was just €66,033.

This is in the context of the current average weekly income being €687. A lump sum of €66,033 would only provide €78.94 a week as replacement income to a family, according to Irish Life calculations.

This means that €78.94 per week would have to cover day-to-day expenses, bills, and education costs, among other expenses.

Little wonder then that people rely heavily on state benefits and employer-provided benefits to meet their protection needs.

However, the state benefit is often lower than required to maintain most people's lifestyle. In the future this protection gap may increase further.

The ever increasing pressure on government spending means state benefits may decline, so the responsibility for protection provision will fall to individuals even more, Irish Life's Mr O'Neill added.

VALUE FOR MONEY

People often struggle to understand the value of a life cover benefit that they hope not to receive.

In a recent UK survey, around 30pc of respondents reported affordability as a reason for not taking out cover.

In a separate question, price was raised by almost half of customers as a reason for not having cover.

However, when asked how much they would pay for €100,000 life cover, almost half said they would be willing to pay more than €20 per month. In reality, for many people the cost of €100,000 life cover is actually below €20 per month.

So, for less than the cost of three bottles of wine a month, or a 20-pack of beer, customers can start to meet their protection need.

HERE IS A BRIEF OUTLINE OF SOME OF THE MAIN PROTECTION POLICIES:

TERM LIFE INSURANCE

Life insurance pays money to a person you name (for example, your spouse or dependants) if you die. Term life insurance is the simplest and one of the cheapest forms of life insurance (compared with whole of life insurance – life policies that insure you for your whole life, or for as long as you want to keep paying premiums, with the premium on these policies higher than with basic term life insurance).

A term life policy gives your dependants a lump sum if you die during the term of the policy.

For example, you might take out a policy on your own life for €100,000 over 10 years.

This means if you die within 10 years, the policy pays out €100,000 to your dependants, once someone can give proof of your death.

If you do not die within the term of the policy, no benefit is paid out and the policy ends.

INCOME PROTECTION INSURANCE

Income protection insurance pays out a regular cash payment that replaces part of your lost income if you cannot work due to a medium to long-term illness or disability.

It is also called "permanent health insurance" – but is not the same thing as private health insurance. Income protection insurance does not cover redundancy.

You will particularly need this cover if you are self-employed, or if you are a PAYE worker whose employer does not provide sick pay.

You can get tax relief on your premiums at your marginal (highest) rate of tax, up to a yearly limit of 10pc of your total income.

To see how the tax relief works, take a woman who is 30 years old and a non-smoker. Let's call her Jenny. She earns €40,000 a year, working as a clerical officer.

If she was unable to work due to illness or disability she would receive €9,776 a year from the State in illness benefit.

If Jenny decides that this is not enough money to maintain her lifestyle she may opt to take out an income protection policy.

SO WHAT WILL THIS COST?

If Jenny chooses a guaranteed option – which means the level of premium she pays will not change for the life of the policy – then she can expect to pay monthly premiums of €54.22, before tax.

However, as she is paying tax at the 41pc rate, the tax relief will mean her monthly premiums will be much lower, at €31.99, according to figures provided by Irish Life.

If Jenny chooses the reviewable option – this means premiums may start off relatively low, but will be reviewed in the future and may go up every few years or so – then the monthly payments will be lower again.

The monthly before-tax premium will be €44.47. But the tax relief means the net premium amount falls to €26.24.

The impact of tax relief can make premiums more affordable, but remember your benefit will be taxable if you have a successful claim.

If you are a member of a group scheme, your employer usually takes your premiums from your salary before tax and PRSI are taken off.

SERIOUS/CRITICAL ILLNESS INSURANCE

Serious illness insurance pays you a tax-free lump sum if you are diagnosed with one of the specific illnesses or disabilities that your policy covers. It is also sometimes called "critical illness cover".

It is often sold as an extra benefit on a life insurance or mortgage protection policy, but it can also be sold as an insurance policy on its own.

You can claim the benefit on your policy only if you meet the following three conditions:

The illness you develop is one of the illnesses your policy covers at the time of your claim;

A medical diagnosis confirms that your illness matches the definition of that illness outlined by the insurance company in your policy terms and conditions;

You survive for a period after you are diagnosed. This period may be seven or 14 days, depending on the policy.

Irish Independent
Thursday 13 January 2011

Tax relief plans will hit middle Ireland hardest

But people are being urged to continue saving for their retirement

Charlie Weston
PERSONAL FINANCE EDITOR
cweston@independent.ie

No matter the age, start saving as soon as you canto reap the benefits in later life

CONSUMERS who are sensible enough to be putting money aside for their retirement income have some difficult choices to make in the next while.

Under the National Recovery Plan 2011-2014, better known as the four-year plan, tax reliefs on pensions are due to gradually fall to 20pc by 2014.

Already this year, money put into pensions by employees will no longer get relief from pay related social insurance (PRSI) and the health levy. Instead, contributions will be liable for the new universal social contribution and will have PRSI imposed on them. Next year higher rate taxpayers will get 34pc tax relief instead of 41pc at present.

What these changes are intended to do is stop high-earning 'fat cats' from using pensions as a means to avoid paying tax. Instead, Finance Minister Brian Lenihan's pension plans will have the additional impact of making it more expensive for middle Ireland to fund a decent retirement.

Justin O'Gorman, of myadviser.ie maintains that despite the reduction in the tax relief, from a retirement perspective it is vitally important that contributions to a pension are maintained.

"Minster Lenihan clearly stated that his intention with the reduction in tax relief on pension contributions was to hit those on higher incomes. Unfortunately, his blunderbuss approach has caused huge collateral damage among middle-income Ireland." Mr O'Gorman reckons that for those people with no access to employer-sponsored pensions, the reduction in the tax relief from 41pc to 20pc will seriously impact on their ability to fund for a decent income at retirement age.

These individuals are at the mercy of markets when it comes to their pensions. The value of their pension depends on the level of contribution they make but more so on the performance of the assets they invest in.

There is no safety net in the event that markets perform poorly as is the case with a defined benefit pension, Mr O'Gorman said.

All the individual can do is hope that markets turn round or increase the contributions, he added.

However, these individuals base their pension contributions on the net cost rather than the gross cost of each contribution. Reducing the relief from 49pc (including PRSI and health levy relief) to 20pc increases the net cost of each contribution by circa 60pc. "It also goes completely against the mantra that successive governments have adopted of trying to increase pension coverage in Ireland.

"Tax relief made it more affordable for people to attempt to provide some form of private pension at retirement age," Mr O'Gorman said.

For these individuals it isn't a case of let's save some tax. It is about trying to make sure they can pay the bills when they are 65, he said.

With individuals in this bracket, the tax relief on the contributions really is only a deferral of tax as the rules in relation to Approved Retirement Fund (ARF) availability are now even more onerous and will eliminate this option from most private pension holders. Therefore, the income they receive at retirement age will be taxed and thus the tax relief they received will be paid back over time.

KEY POINTS

- Money put into a pension this year by employees will no longer get relief from PRSI and the health levy.
- The income tax relief rate remains at 41pc for higher rate taxpayers this year.
- The tax relief falls to 34pc in 2012

Under the recent changes in tax credits, a married couple with one income now starts paying the higher tax at €41,800 income. That is not fat cat income territory yet that person is being punished in the same way as a wealthier person, Mr O'Gorman added. For middle-income Ireland, it is still vitally and hugely important that they continue to fund for their retirement, he said.

"Even relief at 20pc is better than nothing. However, I fear that it will not be the reduction in the tax relief that will stop people from continuing or even starting their pension, it will be the increasing burden of other taxes and charges that will lead to the decision to stop the pension contribution."

Broker Liam McNamara, of MCN Associates, is adamant that people need to provide for their retirement, irrespective of the tax breaks.

"No matter how you come at it we have to provide for our retirement in old age and that needs money."

Like other brokers, Tom Deegan of Fitzgerald Life & Pensions, Waterford, is hopeful the next government will abandon the proposals in the four-year plan, to slash the tax relief for higher earners from 41pc to 20pc.

Some in the pensions industry are pushing the idea of a levy, of say 0.25pc, being imposed on existing pension funds as a way to raise the same amount of money as cutting the tax reliefs. If the Government sticks with its plan to radically reduce the pensions tax relief then people will simply not fund a private pension, Mr McNamara said.

PROPOSALS

Shane Brennan, of Chartered Financial Solutions, argues that there are no proposals to change the fact that money invested in a pension can still grow tax-free. "Pension funds are still valuable long-term savings vehicles. It is important to remember that with a pension you are embarking on a 20 or 30-year saving plan."

Tony Lawless, head of pensions, Irish Life, says that planning now for your retirement has never been more important. "In 2009, there were five people working for every one person retired – within the next 20 years that will have fallen to just three people."

He said this situation puts massive pressure on the state pension, and we are already seeing the results of this. "In a few years, the state pension won't start until you are aged 68. And there's likely to be more pressure to reduce the amount paid. That's why having your own pension plan is vital, and why it's so well-supported by the State," he added.

He stressed that despite the planned tax relief changes those investing in a pension still get full tax relief on their contributions (up to very generous levels) this year.

Then there is the fact that there is no tax at all on the growth of pension funds, and a tax-free lump sum at retirement.

"My advice is that everyone should put some money into your own private pension," Mr Lawless said.

For a limited time only

Secure your New Year

- ✓ Lock in a great rate - **25%** return before tax
- ✓ Plus a bonus potential of **10%** before tax
- ✓ A capital protected investment
- ✓ For a 4 year 6 month term
- ✓ With a minimum of €20,000

Secure Growth Plus 3

If your resolution is to get a better return on your money, then take a close look at Secure Growth Plus 3. There's the security of a fixed return of 25% before tax, after 4 years and 6 months. Plus, if the EURO STOXX 50 index grows by 25% or more during the 4 years and 6 months, we will also add an extra 10% before tax to your fixed return. You cannot cash in your investment before the maturity date. Secure Growth Plus 3 is a limited offer which closes on 25 February 2011 – it will close earlier if over-subscribed. Talk to your local Financial Adviser today, call us on 1850 356 200 or see www.irishlife.ie.

Terms and Conditions apply. Secure Growth Plus 3 is provided by Irish Life Assurance plc. The capital protection and fixed return that apply at maturity on Secure Growth Plus 3 are provided to Irish Life Assurance plc (Irish Life) by Irish Life & Permanent plc (trading as permanent tsb). The potential bonus that could apply at maturity is provided to Irish Life by Société Générale S.A. Irish Life & Permanent plc (trading as permanent tsb) and Irish Life Assurance plc are regulated by the Central Bank of Ireland. Irish Life & Permanent plc is a tied insurance agent for Irish Life Assurance plc. Details are correct as at December 2010. In the interest of customer service we will record and monitor calls.

Irish Life

Warning: The value of your investment may go down as well as up.

Irish Independent
Thursday 13 January 2011

Despite rising premiums, comparing cover and costs can make a big difference

Shopping around can save you up to €1,000

Be prepared for all eventualities, Ireland can also be subject to extreme weather conditions

Charlie Weston

THE different insurance cover that families take out add up to one of the biggest expenditures for the average household.

With many households spending in excess of €4,000 a year on a variety of cover, it is worth remembering that families often end up overpaying for policies that can be bought for considerably less. The Irish Brokers Association (IBA), in conjunction with the *Irish Independent*, has conducted a study to assess how easily consumers could save hundreds, if not thousands of euro, on their premiums.

Nearly half of Irish households phone a couple of insurance companies themselves every few years, identify the best deal at that time and just assume that the same provider will continue to offer the best price.

But households are wrong if they think that just doing this is enough to guarantee that they will get the best value for the various insurance products bought by families – motor, home, health and life cover. Chief executive of the IBA Ciaran Phelan stressed that the price of policies change dramatically all the time.

"Unless you are willing to ring up to 25 insurance companies, which is very time consuming, you should get a broker to do it for you," he said.

"Anecdotal evidence suggests that those who use a broker usually pay less for their insurances and are less likely to be over or under insured," he added.

The IBA study looked at the following principal classes of insurance:

MOTOR INSURANCE

Consumers are generally more active in reviewing the cost of this class of insurance.

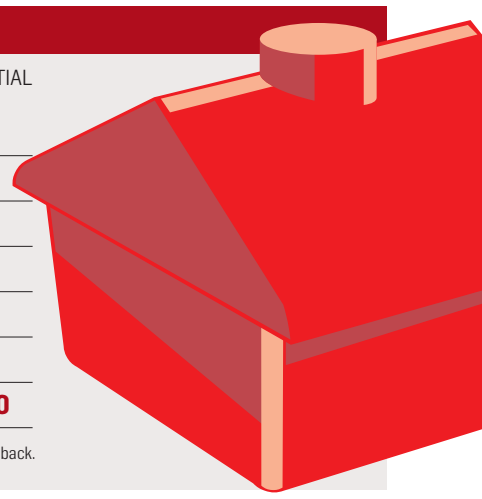
And so they should be, Mr Phelan said, as the typical family shells out between €800 and €1,000 on two cars.

Savings of up to €300 a year are easily attainable by ensuring you get the best-value policy in the market, the IBA study found.

GETTING YOUR INSURANCE COSTS DOWN

*SAMPLE SAVINGS	TYPICAL COST	POTENTIAL SAVING
Motor insurance x 2	**€1,00**	**€300**
Home insurance	**€500**	**€150**
Life insurance (mortgage and income protection)	**€1,000**	**€200**
Health insurance	**€1,800**	**€300**
Permanent health insurance	**€1,000**	**€200**
****Other insurances**	**€200**	**€100**
TOTAL	**€5,500**	**€1,250**

*Typical customer – 40 year old couple plus two kids living in average value house, driving family hatchback.
**Other insurances could include serious illness, loan repayment protection, travel insurances etc.



Bringing down the cost of your car insurance

Here are the top 10 ways to reduce your car insurance premium, according to financial adviser Bob Quinn of the myrecession.ie website:

- **Buy your policy online. Many online insurers apply significant discounts for those who complete the process online.**
- **Insuring your spouse/partner as well as yourself on your car may reduce the premium by as much as 12.5pc.**
- **Declaring that your spouse/partner currently has a car insured in their own name or that they have the full-time use of a company car can qualify you for a discount of approximately 20pc with many insurers.**
- **If you are short of a full five years' no-claims bonus in your own name, previous claims-free experience as a named driver on another policy (e.g. spouse's car, family car or company car) can help you make up the shortfall. This could save you up to 10pc for each additional qualifying year up to the maximum of five years.**
- **Security features such as an alarm or an immobilizer can reduce the premium.**
- **Discounts of up to 17.5pc are often available to Irish licence holders with no penalty points. A lower annual mileage can reduce the premium with some insurers.**
- **While comprehensive cover is preferred by most drivers, it may make more sense for very low value cars to choose third party fire and theft.**
- **Compare prices and reduce your car insurance bill.**
- **Online motor insurance quotation systems will automatically apply many of the discounts which are appropriate, but if you think you may be entitled to further discounts then request a call back.**

Not every car is a Ferrari. Make you sure you have adequate cover for the type of car you drive

HOME INSURANCE

Again, there are big savings to be made on like-for-like comparisons.

In addition, there are many consumers paying over the odds having incorrectly insured the value of the building, rather than the rebuilding cost of their home.

The insurance cost for your house is the cost of rebuilding it, and not the market value of the home.

Rebuilding costs have fallen dramatically recently. Check out the cost per square foot or square metre by looking up the free guide on the website of the Society of Chartered Surveyors, www.scs.ie. Mr Phelan said building cost are down by 20pc or more. Make sure that the insurance company you are dealing with will also be there to assist you should you have a claim.

LIFE INSURANCE

Most consumers need mortgage protection and term assurance to replace their income in the event of their untimely death.

A 40-year-old couple spending €1,000 per annum can typically afford between €200,000 and €300,000 in cover.

With increasing longevity resulting in falling insurance prices over the last few years, a saving of at least 20pc is quite achievable.

That should amount to at least €200 a year.

HEALTH INSURANCE

There is increased competition with various special offers available.

This means there are potential savings of €300-plus depending on the size of your family.

Again you need to look at your other insurances to see if you can avail of cross-insurance discounts, Mr Phelan said.

PERMANENT HEALTH INSURANCE

This is one of the forgotten, but hugely important, insurances if you are self-employed, but can be an expensive item.

Cost and cover types vary considerable for those where this cover is not provided by your employer.

There are a number of new market entrants driving down the cost of this cover which bodes well for consumers.

OTHER INSURANCE

We often forget about the other insurances that we have that include travel insurance, serious illness, payment protection insurance on loans, etc. Again savings can be made.

Managing the cost of your own insurances is extremely difficult – few people have the time or the expertise to give it sufficient attention, Mr Phelan said.

Most people's insurance costs suffer from a lack of attention resulting in one of the following:

- Overpaying on premiums when there is a cheaper alternative available.
- Being underinsured – either overlooking core risks or simply not having the experience to recognise certain policy exclusions that could have dramatic consequences in the event of a claim.
- Being over-insured – forgetting to cancel insurance on assets or risks that have been disposed of or are no longer relevant for various reasons.

So, forget about rising insurance premiums – instead set yourself the goal of saving €1,000 in insurance costs in 2011.

Irish Independent
Thursday 13 January 2011

Get your tax back and save a bundle

It's not too late to claim refunds for previous years

Charlie Weston

LAST month's Budget took a harsh approach to many of the tax reliefs available to ordinary PAYE (pay as you earn) workers.

But the good news is that the changes are not retrospective and people still have an opportunity to claim tax refunds due to them for previous years. Also worth noting is that some of the main tax reliefs and credits PAYE workers can claim were left untouched in the Budget.

This means that there is still a long list of tax reliefs available to people that could result in savings of hundreds of euro.

Tax specialist with www.taxback.com Darren Byrne says workers are losing out.

"Many of these reliefs go unclaimed every year," he says.

And tax practitioner Cathal Maxwell of www.paylesstax.ie advises: "A number of reliefs have been removed so people should act now to make sure they claim what they can."

Mr Byrne says a lot of people still find filing a tax return confusing or complicated, resulting in them paying more tax than is necessary and losing out on entitlements.

Revenue has made attempts to educate taxpayers as to their entitlements regarding tax credits and reliefs. However, despite this Mr Byrne believes that there is still millions of euro going unclaimed each year. There are very few ways to beat the January blues but a cheque from the Revenue could certainly help. For this reason we have outlined six areas where tax relief may be claimed:

MEDICAL EXPENSES:

Luckily for consumers this relief was not touched in the Budget and, although tax relief on qualifying medical expenses was slashed from 41pc to 20pc at the beginning of 2009, this has not deterred people from applying for tax relief.

If a person has incurred medical expenses such as doctors' bills, prescription medicines, or even laser eye surgery they can claim tax relief on all of these.

However, other lesser-known medical expenses such as costs incurred for in-vitro fertilisation, gluten-free food for coeliacs, and diagnostic procedures and physiotherapy carried out on the advice of a practitioner may all also qualify for this valuable tax relief.

If you are claiming for money spent on a GP, consultant or prescriptions in 2007 or 2008 and you are a higher-rate taxpayer, then your claim should be granted at 41pc.

In other words, if you spent €100 on medical matters in 2006, and this money was not reimbursed by a private health insurer, you can claim back €41.

But since 2009, the rate you can claim back dropped to 20pc.

Download a form called Med 1 from www.revenue.ie and act now to claim back medical expenses incurred in the past four years.

You do not need to submit receipts, but you do need to keep them. Fill out the form and send it to your local tax office.

In addition, tax relief for private medical insurance premiums paid by individuals to authorised insurers is granted at source. Subscribers pay a reduced premium (80pc of the gross amount) to the authorised medical insurer and no further claim needs to be made.

Employees whose private medical insurance premiums are paid on their behalf by their employer as a taxable benefit-in-kind will not have received this tax relief at source and a claim may be made to Revenue to receive this credit.

TUITION FEES:

Tax relief at the standard rate (20pc) may be available in respect of tuition fees paid for both approved undergraduate and postgraduate courses in approved colleges.

This relief has not been affected by the Budget. The maximum limit for qualifying fees is €5,000 and so individuals may be entitled to a tax credit as high as €1,000 (€5,000 x 20pc).

Tax relief is also available for tuition fees paid for certain approved training courses in the areas of information technology and foreign languages.

In these cases, relief applies to fees ranging from €315 to €1,270 per course.

Since the 2007 tax year there does not need to be a defined relationship between the person paying the tuition fees and the person undertaking the course of study and so this tax relief can be claimed by anyone that incurs the cost of qualifying tuition fees.

It's important to note, however, that registration fees, administration fees and examination fees, although they may be high, unfortunately do not qualify for tax relief, Mr Byrne added. The Revenue Commissioners publishes a list of courses that qualify for this valuable relief each year.

KEY POINTS

- You can claim back 20pc of money spent on doctors and medicines last year.
- A homeowner can rent out a room a receive up to €10,000 a year tax free.
- 20pc relief can be claimed for most tuition fees.
- A child can inherit €332,984 tax free from a parent.

INVESTMENTS:

The current rate of capital gains tax in Ireland is 25pc. Given current market conditions many individuals may find that they are making a loss on the disposal of their investments. All is not lost, however.

In many cases losses arising on the disposal of one asset may be used to offset gains arising on the disposal of another asset.

Unutilised losses may also be carried forward indefinitely for use in future years. The rate of 25pc has not changed for capital acquisitions tax, but the Budget saw changes announced to the thresholds for this tax.

The threshold has been reduced by 20 per cent. Before the Budget a child could inherit – or be given as a gift – €414,799 from a parent without incurring any tax penalties. This has now fallen to €332,984.

Someone who was able to inherit €41,481 from a related person tax free can now only inherit €33,208 while non-related people who were able to inherit €20,740 can now inherit just €16,604 without paying any penalties, according to information supplied by Irish Life.

Perfect time for your own four-year plan

John Cradden

WHEN it comes to personal money management, most of us probably plan on a year-by-year basis rather than over a longer time frame.

But with the Government's four-year national recovery plan going through the process of being rubber-stamped, maybe it's time to start putting together your own four-year plan.

After all, if we are going to have to endure four years of financial pain because of all the tax increases and severe cuts in public services and spending proposed by the plan, it's time to take much tighter control of our own money.

The impact of the budget and the EU/IMF financial support programme will affect everyone's pocket

DAY-TO-DAY SPENDING CUTS

"The Government's four-year plan involved a lot of spending cuts. Most of us can do this also," said financial adviser Liam Ferguson of Ferguson and Associates.

"Despite the current economic circumstances, I still find that many people I speak with aren't entirely sure where the money goes each month. There's no substitute for the good old-fashioned spending diary."

Mr Ferguson suggests keeping a notebook with you 24 hours a day and making a record of every time you spend, whether it's in cash, credit card, debit card etc, and then break them down into categories, such as food, newspapers, drink, petrol etc.

"When you see the results in black and white, there may well be some surprise areas where you are spending more than you thought on items that you can cut back on," he said.

BUY OR RENT?

In terms of long-term planning, the big question for many young people will centre on housing; should they continue to rent for the next four years or aim to get on the property ladder within the same timeframe?

"I think that the ideal time to get a long-term fixed rate has passed, although for very low LTV's (loan to value ratios) it is still available," said Karl Deeter, operations manager of Irish Mortgage Brokers.

"At the same time, the best price on properties is probably not here yet either so it's a tricky one to call."

He suggests checking out online "buy or rent" calculators such as ex-estate agent economist Derek Brawn's comparebuy2rent.ie.

"A long-term lease right now might offer pretty good value and is something worth considering," said Mr Deeter.

"You could get a discounted rent in return for taking a five-year lease."

TRADING UP

If you have a young, growing family and need to trade up soon, then you will need to know where you stand with the current value of your home versus the mortgage owed.

"If you are in negative equity, then selling may not be the most cost-effective method right now," said Maynooth-based financial adviser Bob Quinn.

"You could consider renting a larger property until the market readjusts and renting out your own house."

If trading up is a longer-term ambition, understanding how your mortgage works and what rate you are paying will be crucial, he said.

PENSIONS

It's worth noting that despite the uncertainty over tax relief on pension contributions, it's still available at your highest rate.

"Maybe this tax relief will be reduced in the future; maybe it won't – that depends on the next Government," said Mr Ferguson.

"But the one certainty is that tax relief is still available in full right now so I'd avail of it while it's still there."

Those close to retirement should be redirecting as much as they can to their pension and consider making additional voluntary contributions or if you are a public sector worker, buying notional service, said Mr Quinn.

He also suggested taking a look at bank statements and identifying any unfamiliar direct debits or standing orders.

"Many people close to retirement may have old savings plans or insurance policies that were set up years ago and they have forgotten about," said Mr Quinn.

"Typically older plans had encashment values attached to them and it's worth revisiting these plans."

Those already retired should review their investments to make sure they are genuinely diversified.

"A few years ago a diversified portfolio meant owning shares in both Bank of Ireland and Anglo," said Mr Quinn.

"As these investments were so closely correlated, it means if one tanked, so did the other.

"Look for a mix of investments that are uncorrelated, therefore limiting your exposure to any one industry."

INVESTMENTS

When you have taken care of your rainy-day fund and your pension, you should review your lump-sum investments.

Decide what type of investor you are and whether you are happier to invest in cash deposits, balanced managed funds, equities or some other asset class.

Your ability to take risk is the other key factor. In general if you are young, earning a high income and you do not have any dependants you can afford to take more risk. If you have money that you can lock away for a long time, you generally should be investing in assets which tend to do better over the very long term.

For those comfortable investing, the best advice is to diversify or spread your money across different types of investments and assets.

Your financial adviser should do a full risk assessment with you to help you figure out your 'risk profile' and what investment options suit you best.

Josephine Feehily, chairman of the Revenue Commisioners. Revenue has made it easier to claim rebates through their online service

HOME CARER'S CREDIT:

The Budget introduced a reduction of 10pc in tax credits.

However, where a married couple is jointly assessed and where one spouse works in the home caring for their children, the couple may still be entitled to an additional tax credit of up to €900 in certain instances.

This credit has been slashed to €810 commencing January 2011.

ACCOMMODATION RELIEFS:

Where an individual rents out a room, or rooms, in their principal private residence and the gross income received, including sums received for food, laundry or similar goods and services, does not exceed €10,000 in the tax year, this income will be exempt from income tax.

Tax relief is also available to tenants for rents paid by them for private rented residential accommodation which is their sole or main residence. A single individual aged under 55, for example, may receive a credit of up to €400 in the tax year in which they pay rent.

This credit is being phased out by the Budget, seeing a reduction of 15pc in the credit from this month.

It is now more important than ever to claim this credit before it's too late. So, start this year as you mean to continue and get what is owed to you.

Working with a financial adviser to plan your future

IF you are serious about planning your finances on a four- or five-year basis, it may be worth getting some professional advice.

Many financial advisers will get paid for their services on a flat-fee basis, a salary if they are employed by a firm, or through commission on any products they sell to you – or a mixture of the three.

Irish Life, for instance, offers a free, one-hour financial review with one of its advisers, who carries out a complete assessment of all aspects of your finances.

Niall O'Connor, a senior qualified financial adviser for Irish Life, says: "When meeting a client, I always look at immediate, short, medium and long-term goals.

"All and all, I try to put in place a broad plan that could be anything from one year to 30 years."

But even if you get "free" advice from a life insurance adviser or a bank, the National Consumer Agency (NCA) says that this type of financial advice is not free.

"Even where you don't pay a fee directly, the cost of the product you buy will generally include the cost of commission or a contribution to salaries, or both."

The NCA recommends that you ask your adviser exactly what you are paying for, while Irish Life stresses that there is "no obligation on the person to act on the advice given" in a free review.

If you do arrange a meeting with an adviser, it's recommended that you bring along the following information to get the most out of it: bank statements, wage slips, any company benefits, any deferred pension options from previous employments, statements for your mortgage, loans and credit cards; and deferred pension options from previous employments, as well as a list of questions.

Irish Independent
Thursday 13 January 2011

Shopping around can reap various rewards, not just financial

Charlie Weston

WITH health insurance premiums rising, now is a good time to consider ways to save money and ensure you have the appropriate plan.

Quinn Healthcare and Aviva have already pushed through premium rises with market leader VHI imposing hikes of between 15pc and 45pc from next month.

This means it is important for families to act now to save on healthcare costs. And there are lots of things you can do to reduce the cost of your cover.

The first point to remember is that it is painless to switch provider. Many people are reluctant to change their insurance as they fear they will lose credits built up with one insurer, or they fear that they will be subject to a waiting period if they need treatment or incur penalties.

Consumers often think that they have to remain with their current provider until their next renewal date, which is not the case, according to private healthcare specialist Dermot Goode of healthinsurancesavings.ie.

"Strictly speaking, it is an annual contract but you can actually cancel your policy on a particular date and set up a new policy from the same date with a new renewal.

"This is quite simple to do and there is absolutely no break in cover," Mr Goode said.

Two of the insurers will give you pro-rata refunds on your premium (Quinn and VHI) if you have paid it up front, whereas one (Aviva) will only do this if you have had no claims during the preceding year.

For this reason, it is recommended that you pay your premium monthly by direct debit which puts you, the consumer in control, he said.

The best place to go to find out more information about different plans and their costs is the Health Insurance Authority, the State's regulator for the sector. Log on to www.hia.ie or phone Lo-Call 1850 929 166.

This information is a guide, but you should seek independent advice. Another urban myth is the belief some people have that they are getting special discounted rates through group schemes.

This is often not the case as these schemes are simply a collection of individual contracts where the insurers charge everyone the same cost regardless.

What this means is that if your group scheme renews on the March 1 this year (as it renews on this date every year), you will be first in the firing line for any price increases that have been introduced in January or February this year.

This means you might be better off outside your group scheme.

Many people are unaware that a range of new plans have been launched by all three insurers, with most consumers now insured on dated plans.

These new composite plans offer the likes of guaranteed refunds for GP, specialist, dentist, physiotherapy and other day-to-day expenses, as well as covering your in-patient costs.

With these plans, there is no excess to pay at year end so you have guaranteed refunds for these expenses.

These are now available from all three insurers and cost between €860 and €1,017 per adult a year.

Mr Goode says they are ideal for those with young families, and, in some cases, you can achieve better overall cover and still save money.

Even at the higher end of the spectrum, cost savings are possible.

If you are under cost pressure, you should consider downgrading your cover to the minimum level possible.

Cover starts at €417 per adult with Quinn compared with €450 with VHI or €506 with Aviva.

You can always upgrade your cover at a later date, but if you opt out of the system altogether you will be faced with all the waiting periods again on rejoining.

It is estimated that at least half of all those with private health insurance may actually be insured on the wrong plan; and due to the complex nature of the benefits, many people don't even understand exactly what they are covered for, Mr Goode added.

There are over 150 plans now with in excess of 250 different combinations, depending on your requirements.

Another option for families to save money on healthcare is to choose a "corporate healthcare plan". These are specially designed plans, which are usually cheaper than ordinary plans and often with better benefits, offered to companies in a bid to entice entire firms to sign up with a healthcare provider. Savings in the region of 20pc to 30pc are possible depending on the plan held.

Families eager to reduce their costs should consider the following:

- Be sensible with your accommodation cover. Too many people pay for private-room cover that is not guaranteed. For example, those insured on the likes of Plan C, We Level 3 or Health Manager could save up to €800 per year and still have access to the same hospitals.
- Pay the full amount for the year and avoid surcharges. Quinn is the only insurer that charges an additional 3pc more for instalment payments. That's an extra €60 per annum for an average family policy.
- Split policies. Many people believe you must keep all members of the family on the same policy, which is not the case, according to Mr Goode. You should take out appropriate cover for children depending on their age and which hospitals are in close proximity. But the key point is affordability; for example, the parents might be

Declan Moran and Jimmy Tolan, chief executive, VHI Healthcare announcing price increses of up to 45pc for VHI customers

Improving your cover can result in savings

KEY POINTS

- Consumers can switch provider even before their renewal date is up.
- Corporate plans are cheaper and often have better benefits.
- VHI rivals Aviva and Quinn are cheaper.
- A hospital cash plan is worth considering.

One premium covers family with hospital cash plan

ONE alternative for those who have had to give up their private healthcare or for those with no cover is a hospital cash plan, such as those offered by registered charity HSF Health.

A cash plan is a claim for a cash benefit (which may be a flat rate or may be related to the cost of the medical service provided) after a consultation or treatment has taken place and the bill has been paid. A cash plan does not pay private hospital or operation costs, but it does give cash back for a wide range of everyday healthcare costs such as GP visits, prescriptions, dentist fees, along with grants for hospital stays, birth grants and worldwide accident cover.

Another big advantage with a cash plan is that one premium covers the whole family.

A cash plan could be the antidote for the painful fact that families are putting off vital health checks as the recession puts pressure on family budgets.

Families have also been hit by the cutting of tax relief on medical expenditure to 20pc, a move that hit those paying tax at 41pc hard.

HSF Health Plan recently launched a new GP telephone advice line, providing free access to a qualified doctor 24/7.

The scheme is primarily aimed at helping families who find it difficult to access a GP or are struggling with everyday medical bills.

Premiums for a HSF Health Plan start at €9.50 per month. This will cover you, your spouse or partner and dependent children up to the age of 21. The most popular plan costs €45.50 a month and will pay back up to €250 spent in a year on GP visits, and up to €1,050 on consultants, and up to €20,000 for an accident.

HSF Health Plan is the trading company of the registered charity, the Hospital Saturday Fund, which returns surplus funds to the community through medical charities, hospices and hospitals.

insured on the likes of Family Plan Plus Level 1 with VHI whereas the children might be insured on First Plan Level 1 or equivalent. For a family with three young children, this could result in savings of €165 per annum.

● Avail of student rates. This can result in savings of up to 66pc on the current adult costs. Remember, you don't get this automatically, you must request it from the insurer.

● Take an excess for lower premiums. Most providers have plans with excess options for lower premiums. Therefore, by taking on an excess (which is the amount you pay yourself when you make a claim) in private hospitals per hospital stay, you can lower your premium by approximately 10pc.

Become a super saver by making your money work

John Cradden

THE term 'super-saver' is most closely associated with retail offers, such as discounted travel tickets for buses, trains or planes. But it is also an appropriate way to describe those individuals who apply a more strategic approach to saving money.

In terms of devising a savings strategy, either depositing your lump sum into a fixed-term account with the most competitive rate or opening a regular-saver account with the best current rate of interest is a good first step.

"Having more than one type of savings account is key to a good savings plan," says Simon Moynihan of the price-comparison website Bonkers.ie.

"A regular-saver account that deducts a fixed amount from your current account once a month can quickly help savers reach a goal with the minimum of effort."

But opening multiple accounts of similar types can also make sense. You could open a number of regular-saver accounts (with the same institution or different ones), with each intended for a particular purpose.

For instance, you could have an account for helping to finance things such as holidays, a new car or a major home-improvement project.

Another regular-saver account could be designated for funding third-level education costs over the long term. You might also consider an investment-type account.

College registration fees have more than doubled since 2009 and now cost €2,000 for 2011-12 academic year. The average cost of living for students living away from home is now nearly €7,500 a year, according to the Dublin Institute of Technology's office of campus life.

Irish Life claims that by putting €100 a month into a long-term savings plan over the course of your child's second-level education (six years), such as its Clear Regular Invest product, you would end up with a fund of nearly €9,000 after tax and deductions.

Another reason to open multiple savings accounts, particularly of the regular-saver variety, is the limits on how much you can save before the interest rate drops.

"Ulster Bank is currently offering an excellent 4pc for regular savers putting away up to €1,000 per month," says Mr Moynihan. "The limit on this account is €15,000 before the rate drops to 1.5pc.

"But the good news is that this account offers instant access – so as the limit is reached, funds can be moved to a lump-sum account."

Opening a number of lump-sum accounts, as well as regular-saver accounts, is worth considering if you need quick access.

You have the choice of fixed-term accounts, with attractive rates of interest that restrict your ability to access the funds for a specified period of time, and demand accounts, which are not too far behind in terms of interest rates.

"Nationwide UK is offering 3pc on balances from €2,000 to €2,000,000, with instant access to funds up to six times per year," says Mr Moynihan.

Another option is the Irish LIfe Secure Growth Plus 3 plan.

It offers a fixed return of 25pc before tax, after four years and six months (compound annual rate of 5.08pc). In addition, if the Euro Stoxx 50 index grows by 25pc or more during the period, Irish Life will add an extra 10pc before tax to your fixed return. There is a minimum investment of €20,000.

Keeping at least two or three months' salary – preferably a bit more – in an emergency account is recommended by most financial experts in case of a change in financial circumstances.

Moving your funds around in order to keep your money earning the most interest can also be a key part of your savings strategy.

The ECB is expected to start raising interest rates, so you can expect to see banks raise their savings rates.

Of course, banks would prefer you to keep your money with them as long as possible.

"Because Irish savers have been moving funds out of term accounts, rates remain very strong to attract new funds," says Mr Moynihan.

For instance, Permanent TSB is offering 3.46pc on a 12-month term, while Nationwide UK is offering 3.4pc on a similar account.

"Savers should be sure that they will not need access to the funds for the duration of the term before committing," Mr Moynihan advises.

If you are not sure if you will need access, one strategy could be to split up your lump sum in two – one amount to deposit in a demand account that is easy to access, while the other (preferably most of it) is in a fixed-term notice account.

Don't forget the other half-way house: notice accounts, where you give notice before you withdraw money, such as one month.

"Large amounts of money have moved from term accounts into notice accounts throughout 2010 as confidence in the banking system declined," says Mr Moynihan.

Seóna Dunne a health and nutrition student at DIT Cathal Brugha St at the launch of the Union of Students in Ireland (USI) Rent Book. The average cost of living for students living away from home is now nearly €7,500 a year

KEY POINTS

- By putting €100 a month in a long-term savings plan you could end up with €9,000 over six years.
- It is worth moving deposit money when rates change.
- Savings rates may rise later this year.
- Keep two to three months' salary in an emergency account.

THE BEST RATES AND WHAT YOU NEED TO OPEN A SAVINGS ACCOUNT

■ TOP REGULAR SAVER ACCOUNTS
According to the National Consumer Agency's personal finance website, Itsyour money.ie, the top three savings rates for regular saver accounts are:
1 Ulster Bank Special Interest Deposit Account. Interest rate 4pc on amounts up to €15,000. Maximum monthly lodgement €1,000.

2 Permanent TSB 21 Day Notice account. Interest rate 3.75pc on amounts up to €50,000. Maximum monthly lodgement €1,000.

3 AIB Regular Saver account. Interest rate 3.50pc but only lasts for 12 months and can only put in a maximum of €500 a month.

■ TOP LUMP SUM DEPOSIT ACCOUNTS
The top three rates on demand deposit accounts for a €10,000 lump sum are:
1 Nationwide UK. Interest rate 3pc.

2 National Irish Bank eSaver. Interest rate 3pc. Online only. Any withdrawals are subject to a small penalty.

3 Northern Rock. Interest rate 2.5pc. Online only.

■ TOP LUMP SUM FIXED-TERM DEPOSIT ACCOUNTS
Excluding Anglo Irish Bank, the top three 12-month fixed-term deposit accounts for a €10,000 lump sum are:
1 Permanent TSB Interest First Savings account. Interest rate 3.46pc

2 Nationwide UK. Interest rate 3.4pc.

3 Northern Rock. Interest rate 3pc.

Don't forget...
If you are opening a savings account with a new institution, it's worth noting what you need to bring in order to process an application quickly: some form of original photo ID, such as a passport or driver's licence; proof of your permanent address, such as a current utility bill, bank statement, or motor or home insurance renewal document; and proof of your PPS numbers.

Irish Independent
Thursday 13 January 2011

Energy saving in the home

John Cradden

WE are only just into January, and already it's been one of the coldest winters Ireland has ever experienced.

But even if you have managed to escape injuries or accidents as a result of slippery or icy conditions, you probably won't escape the pain of heavy energy bills.

More of us will have an eye on how much it's costing to heat our homes, but it is still hard to know exactly how much you are consuming in electricity or gas at any one time. The Government has still to get around to fitting all households with much-hyped smart meters, which will allow us to see where, and when, we are using electricity and gas and potentially adjust our consumption habits to make savings.

But to make sure you don't pay through the roof for your heating costs for the latter half of this winter, we list a few ways you can reduce your energy bills.

SAVE ENERGY

Energy-efficiency awareness campaigns are often perceived to be all about reducing your usage, but during this cold weather, few of us may be inclined to switch off heating for periods during the day, even in the name of saving energy.

But there are many simple steps you can take to reduce heating costs without freezing to death.

For example, you can save up to €100 a year by setting your heating system timer to turn on the heating 30 minutes before you get up and turn it off an hour earlier in the evening.

Turning down the heating in living areas to by one or two degrees to 20C could save you another 10pc, while the temperature in hallways and bedrooms could be cooler, say 15-18C.

A further €100 a year can be saved by being smarter about hot water. The bottom line here is not to leave the hot water running unnecessarily.

If your oil or gas boiler has not been serviced recently, getting it serviced could improve your overall efficiency by 10pc, and this could save you up to €150 per year.

When buying electric heaters, you should make sure they are the right size for the rooms they are to heat. Electric heaters consume electricity at the most expensive charge rate.

Check out the 'Power of One' website, run by the Sustainable Energy Authority of Ireland, which has lots of free, handy energy saving tips.

UPGRADE THE EFFICIENCY OF YOUR HOME HEATING

For a number of years now, there have been grants available for house-

TIPS TO KEEP YOUR ELECTRICITY BILL DOWN TOO

IF you are re-training yourself into the habit of saving as much energy as possible to reduce your costs of heating your home this winter, why not extend it to your use of electricity as well?

- **LIGHTS OUT. Turning the lights off when you aren't in the room and using energy saving light bulbs can reduce your lighting bills by up to 80pc.**
- **TURN IT OFF. Don't forget to turn off all electrical appliances completely, as opposed to just leaving them on stand-by. Doing this can save you up to €30 per year.**
- **DEFROST REGULARLY. Defrost your freezer every six months too, as frost build-up increases energy consumption significantly.**
- **APPLIANCE RATINGS. If replacing an appliance such as a washing machine or fridge, opt for a model with an 'A' energy efficiency rating as they save their replacement cost over their lifetime.**
- **SHOWER, NOT BATH. Take a shower rather than a bath. A typical shower uses only one-fifth of the energy of a full bath.**
- **STOP THE DISHWASHER. Stop the dishwasher before the drying cycle and open the door to let the dishes air dry.**
- **COMPUTER MODE. Set your computer to "energy saving" mode so that it will automatically change to a state of low consumption. Also switching off the screen rather than let the screen saver run can save even more energy.**

Is your money going up in smoke? Magician and illusionist Keith Barry makes flames come out from his wallet during a publicity photo shoot recently. Photo: Leon Farrell, Photocall Ireland.

Making the switch the first steps to reducing your bills

Simon Moynihan

ALMOST 40pc of Irish households have switched electricity suppliers to Bord Gais or Airtricity over the last two years.

This will certainly help many homes reduce electricity bills in these cold and lean months, and with a re-branded ESB expected to enter the market soon, we can expect prices to fall even further.

For the 60pc of households that have not switched, they are leaving over €100m in potential savings on the table, so switching is still the quickest and easiest way to reduce electricity bills for the majority of households.

Even with better electricity prices available, there are still interesting ways to reduce electricity bills even further.

SAVING BY USING ELECTRICITY AT NIGHT

Using electricity at certain times of day or night is often thought to have a different cost.

However, for most households, running appliances at peak times (like breakfast time or 5pm to 7pm) will make no difference to electricity bills whatsoever.

These are known as peak times by the energy companies because it's when our consumption is at its highest.

Households generally pay the same for electricity used at these times as they would for using electricity at any other time of day.

In the coming years, a new way of using and paying for electricity called "smart metering" will change that, but in Ireland we are still in the testing stages and only a few thousand households have smart meters at the moment.

Using timers to run appliances like washing machines, dishwashers and dryers overnight will only save money if you have a "nightsaver meter" and a "nightsaver tariff".

NIGHTSAVER

Nightsaver meters can be installed quickly and are usually free.

These special meters have two dials, one that measures consumption during the day and one that measures consumption at night.

Diligent households can make considerable savings with a nightsaver tariff, but if the only things running overnight are the fridge and a few lights, a nightsaver tariff will actually lead to higher bills.

The general rule for making a nightsaver tariff worthwhile is that a household needs to shift at least 20pc of its overall consumption on to the night rate.

Anything less than that and it will cost more than a standard tariff.

Luckily, it's not too hard to do.

Timers on appliances that use the most energy like washing machines, dryers, dishwashers and immersions heaters can shift more than 35pc of consumption onto the cheaper rates, which can lead to considerable savings.

With a nightsaver tariff, electricity on the night rate can be nearly half as expensive as standard daytime rates and a few cent more expensive than a standard rate during the rest of the day.

There is also a higher standing charge which is why bills can end up costing more unless as much usage as possible is shifted to the overnight rates.

The hours for Nightsaver rates are usually 11pm to 8am.

The reason nightsaver tariffs and rates exist is because energy companies want to encourage the use of more electricity at night to even out their supply patterns.

It's not easy to turn generators off when consumption drops so there is usually an excess of electricity available at night when demand is down.

In order to encourage us to use the excess electricity, suppliers charge less for it.

ELECTRICITY MONITORS

Another great way to reduce electricity bills is to use a portable electricity monitor.

These clever little gadgets have a screen that tells you in real time how much electricity your home is using and how much it is actually costing you.

They are now available in most electronics shops for about €40 and the manufacturers claim that by just having one, household electricity bills can be reduced by at least 10pc.

They work by measuring increases and decreases in the amount of electricity flowing from the meter and then sending this information to the monitor.

They can be very precise and make it easy to discover just how much electricity household appliances actually use.

They can tell you how much it costs to run a wash, how much electricity the kettle or electric shower uses and how much leaving gadgets on standby overnight actually costs.

Electricity monitors are wireless and portable so they can be carried around the house to check consumption as gadgets and appliances are turned on and off.

With increased awareness that electricity monitors, most households should find their electricity usage falling.

holders for projects to upgrade the overall energy-efficiency of their homes, including fitting roof and wall insulation and replacing boilers.

Under the Home Energy Savings Scheme, you can get a grant of €700 toward the cost of buying a high-efficiency gas or oil-fired boiler and upgrading your heating controls.

A roof insulation job generally costs up to €800 or so but you can get a grant of €250 to offset this cost. A €400 grant is available for a cavity wall insulation project that usually costs about €1,000 to do.

You can also get a more substantial grant of up to €4,000 toward the cost of external wall insulation, which is a lot more expensive to do than either roof or cavity wall insulation.

All these projects require some capital investment but in most cases you will make your money back within a few short years.

However, one of the problems with the grant schemes, particularly today, is that you have to pay for the energy-efficiency project yourself and then get a rebate.

The ongoing credit crunch means it is proving hard for many people to raise the initial cash.

The good news is that the Department of Communications, Energy and Natural Resources is set to replace the current energy-saving grant schemes with a new discount-based "retrofit" scheme this year.

Under this new scheme, funding will be passed on to customers as up-front discounts on the costs of projects rather than the customers having to wait for grant payments after they have completed their projects.

BETTER VALUE GAS AND ELECTRICITY PROVIDERS

If you are an ESB electricity customer and use electricity to heat part of your home, switching to an alternative supplier is probably one of the easiest and most effective ways to save.

Bord Gais Energy or Airtricity are offering electricity supply for up to 14pc less than the ESB.

Airtricity is now also in the gas market and is offering those who switch from Bord Gais savings of up to 20pc off Bord Gais's rates.

If you switch both your electricity and gas to Airtricity, the company promises a total of up to 26pc off your gas and electricity bills together, but check out the standing charges first before you do.

Flogas is another competitor in the gas supply market, and it, too, offers up to 20pc off Bord Gais rates, depending on what tariff you choose and whether you pay by direct debit or not.

Switching gas or electricity providers is easy and involves no equipment changes to your meter or pipework.

Irish Independent
Thursday 13 January 2011

Redundancy: what to do

John Cradden

THE rate at which people are losing jobs in Ireland has begun to slow a little, but the threat of redundancy still looms large this year for many workers.

According to the Central Statistics Office, the numbers of people in work fell by 3.7pc – or nearly 71,000 – in the third quarter of 2010 compared to the same quarter the previous year.

This compares with 4.1pc in the second quarter of 2010, and 8.8pc in the third quarter of 2009.

In addition, the latest Department of Enterprise figures show the number of redundancy claims filed between January and November 2010 was 55,910, a drop of 23pc on the 72,880 received over the same period in 2009.

However, much of the fall in employment numbers may well be partly due to rising emigration. And any hope that employment numbers will start to rise in real terms next year seems unlikely to be realised.

The Government is planning thousands of redundancies in the public sector as part of its four-year austerity plan. So what can you do if the possibility of redundancy looms large at your employer?

PREPARE

If you work in the private sector, you should get as much information as you can about how your company is performing.

Look for quarterly statements or trading updates to see if it is struggling and if redundancies appear likely. That way you can help take out some of the shock out of being laid off if it happens.

Start making a career contingency plan. Review, revise or update your CV and portfolio regularly. Consider any gaps in your skills or experience and how you might cover them.

Lots of recruitment websites, such as Loadzajobs.ie, Monster.ie or Irishjobs.ie, have helpful information on planning ahead and making your next steps if you are made redundant.

WHAT ARE MY RIGHTS IF I AM MADE REDUNDANT?

You are entitled to at least two weeks' notice if you are being made redundant. Your employer must also allow you reasonable paid time off during your notice period in order to look for a new job.

To qualify for a redundancy payment, no matter what the reason, you must be aged 16 or over and have worked continuously for your employer for two years. The same rule still applies in most cases if you work part-time.

Any absences that you have taken, such as for holidays, illness, maternity, parental or carer's leave, will generally not count as gaps when calculating your total length of service.

If you qualify, employers must by law pay you a minimum of two weeks' pay for every year of service, and one week's further pay. This calculation of a week's pay is capped at €600 per week, which equals €31,200 a year.

Some employers may offer more than the statutory minimum, such as a number of weeks' pay for every year of service. This is often called an ex-gratia payment and it can also take the form of the gift of a company asset, such as a car or laptop, as well as a lump-sum payment.

WHAT IF I HAVEN'T BEEN WITH MY EMPLOYER FOR TWO YEARS?

Employees who have not yet served at least two years may still receive some form of payment. But this is entirely up to the employer and they are not legally obliged to pay anything.

HOW WILL MY REDUNDANCY PAY BE TAXED?

Statutory redundancy pay is tax free but if your employer pays you anything over and above the statutory minimum, you may have to pay some tax on this.

if it happens

However, there are some tax reliefs that can be applied to ex-gratia payments, although anyone receiving such payments will now be taxed on amounts above €200,000 following the last Budget.

CAN I APPEAL MY REDUNDANCY?

If you believe that your redundancy is unfair or unjustified, you can appeal directly to a Rights Commissioner or the Employment Appeals Tribunal.

According to Peter McInnes, employment law partner at McDowell Purcell solicitors, disputes about redundancy usually centre on two issues: "Is it a genuine redundancy at all or, even if it is, has the employee been fairly selected for redundancy?"

CLAIMING BENEFITS

Millions of euro of benefits go unclaimed each year so make sure you don't miss out on what is due to you.

You may be entitled to a range of benefits including either Jobseeker's Benefit or Jobseeker's Allowance and help with housing costs.

Try to claim on your first day of unemployment so you do not lose any benefits.

HOW CAN I STAVE OFF DEBT IF I HAVE NO JOB?

If you are likely to be made redundant, you should urgently review your immediate financial situation.

Work out how much you owe by writing down everything in order of importance and classify debts in order of priority.

Work out a budget so you can see how much you have left with which to pay your creditors.

For help with devising a budget, you can check out the website of the Money Advice and Budgeting Service (MABS) or visit a branch.

Contact your creditors as soon as possible if you are struggling to meet payments on your mortgage or other debts.

MABS can help with this if needed. You can usually come to some arrangement that will involve paying only what you can afford.

Know your rights about being 'independent'

IT is quite a common practice in industries such as IT, but if your employer informs you that you are to be made redundant but later offers to re-hire you as an independent contractor, you should be aware about what this really means for you.

According to Peter McInnes, of McDowell Purcell solicitors, there are several implications in terms of your employment rights and how you pay tax.

For starters, independent contractors are regarded as self-employed for tax purposes and responsible for their own taxation.

Independent contractors are also not covered by the same employment legislation, including that which governs unfair dismissals or redundancy.

However, the distinction in law between an employee and an independent contractor can be a grey area.

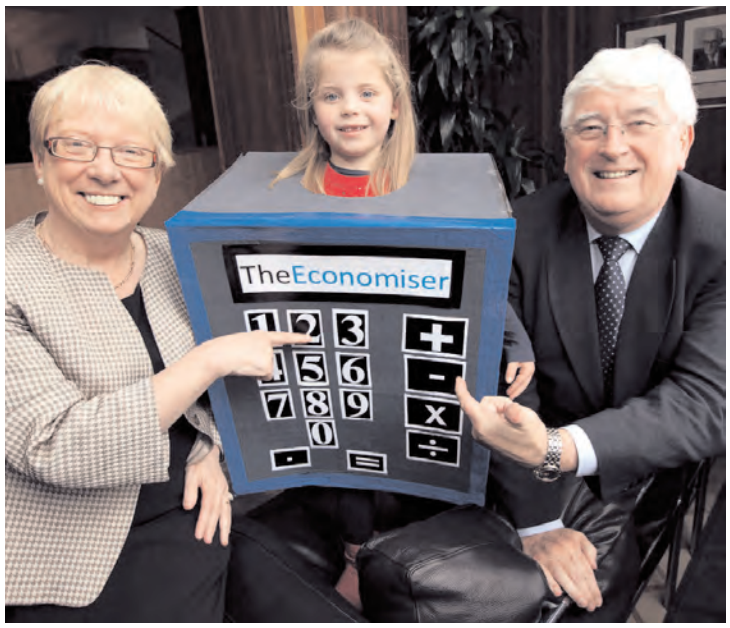
In some cases, while you might be categorised as an independent contractor, "the reality of the relationship may in fact make it clear that they are in fact an employee who is protected by the various pieces of employment legislation," says McInnes.

So if you were made redundant but re-hired as a contractor doing the same role but under less favourable terms and conditions, then there may be a question mark over the company making you redundant in the first place, he says.

It could increase your chances of challenging the redundancy before a Rights Commissioner or the Employment Appeals Tribunal.

KEY POINTS

- If you lose your job try to claim benefits straight away
- Tax reliefs apply to redundancy payments
- If you are laid off you are entitled to at least two weeks' notice
- List out all your debts
- Check out the MABS website www.mabs.ie
- Make up a household budget



Minister for Enterprise, Trade and Innovation, Batt O'Keeffe launching the National Consumer Agency's new online tool for household budgeting, The Economiser. It analyses consumer spend on four key areas and shows consumers how to save money and reduce their bills in these areas. Also pictured are Sophie Kirwan from Swords and Ann Fitzgerald, Chief Executive of The National Consumer Agency.

10 tips to cut costs and save money

Frank Conway

WITH reduced take-home pay a certainty for the majority of Irish citizens now a fact of life (thanks a lot Budget 2011), how we manage money will be a deciding factor in our financial well-being. And, while some financial gurus may say "spend less", for those with a mountain of debt, that is easier said than done. Following are some simple tips to reducing everyday household insurance and protection costs:

1 Pay a single premium as opposed to monthly. Direct debit payments now cost in the region of an 8pc surcharge on home protection. So you can save approximately €40 by making a single premium payment.

2 You can save up to 5pc on car insurance on your annual premium by paying up-front. This can result in annual savings of approximately €25.

3 When it comes to life protection policies savings of around 5pc are also possible. On a policy costing €1,200, annual savings could be in the region of €60.

4 Consumers should update their home alarm details. NSAI (the National Standards Authority)-approved alarms generate approximately a €40 a year in savings. Other serviced alarms (such as Eircom) can generate higher savings but watch the cost of annual subscriptions, which may reduce your overall benefit. Up-front savings of between €80 and €90 are possible.

5 People would be well advised to review the "sum insured" on their homes. The sum insured relate to moveables - not fixed items such as bathroom fittings. Savings can be in the region of €20 to €50.

6 Worth reviewing also are the replacement costs. Make sure you are not paying Celtic Tiger replacement costs. Typical savings can be in the region of €50 to €60.

7 Update your life protection cover details. If you have quit smoking for more than 12 months, policy-holders can generate savings of 25pc to 30pc. On a policy costing €1,200 a year, the savings would be €360.

8 Check to see if your school participates and offers school grounds and home ground personal protection for children. This costs around €20 a year. You could save €325 off a simple Swiftcare clinic visit.

9 With the State's drug payment scheme you pay the first €120 per month and State pays the remainder over €120 per month. This is done one through nominated pharmacies and covers the entire family. Apply through your local HSE offers.

10 Some car insurance companies offer a discount if driver uses public transport to work. Savings can be as high as 20pc. On a car insurance policy costing €550 per annum, this would result in annual savings of €110.

Frank Conway is a director with moneycoach.ie - a new personal finance website specialising in the areas of personal budgeting, insurance, retirement planning, debt advice and mortgages.

Strength to support generations of Irish families

Since 1939, we've helped generations of Irish families enjoy the good times and survive the more challenging ones. In fact more than 700,000 people now choose Irish Life to help them plan their futures. That's probably because people know they can rely on Irish Life to be there when they need us most.

For example, last year alone Irish Life paid out more than €4 million a week to thousands of protection customers and their families right across Ireland. For solid advice on your family's finances, talk to your local Financial Adviser about Irish Life or see www.irishlife.ie.

Irish Life Assurance plc is regulated by the Central Bank of Ireland. Average claims information correct 1st December 2010.